ISSN: 2714-3643
October, 2023

FINANCIAL MOTIVATION AND NIGERIA'S BANKING SECTOR PERFORMANCE: AN ECONOMETRIC APPROACH

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Abstract
This research work examined the impact of financial motivation on organizational performance in the Nigeria's Banking Industry, using Zenith bank as a case study. Ordinary Least Square Regression analysis was employed to empirically determine the relationship among the variables. The findings revealed that Employees Wages and Salaries (EWS) as well as Provision for Retirement payment/Pension Benefits(PRPB) positively and significantly impacted the company's Profit After Tax(PAT). It was concluded that the nexus between financial motivation and organizational performance is positive and direct and that financial motivation impacts performance intensively. Thus, it was recommended that managers should concentrate on evolving effective benefit programs for the workforce in order to improve employees' commitment and retention, reduce high cost of recruitment and combat insincerity and fraud thereby leading to high performance in the industry.
Keywords: Financial Motivation, Organisation Performance, Banking Sector

1.0 Introduction

Motivation is a critical ingredient in employees' performance and productivity. Even, when people have the right skills, clear work objectives, and a supportive work environment, they would not get the job done without ample motivation to meet those work objectives.

Motivation generates forces in employees which drive them to enthusiastically exert a given level of effort (intensity), for a certain amount of time (persistence), toward achieving a given goal (Mullins, 2006). Financial motivation is a fundamental inducement. No other motivational technique can be compared to it with respect to its motivational strength (Rynes, Sara and Kathleen, 2004). Money is capable to attract, maintain and inspire individual to higher productivity thereby leading the organization as a whole to higher performance. This is evident by the incessant demand for wages increase by the labour unions in Nigeria in recent times.

In the same vein, successive Nigerian governments in the past and recent seem to be committed to the same idea and had used wages and salaries increases as the principal mechanism for motivating the Nigerian workers to high productivity. This is evident in the setting up of various wages and salary review com missions in Nigeria, some of which are: Hunt Committee (1934), Harragin Commission (1954), MBANEFO Commission (1956), the Morgan Commission (1960), the Adebo Commission, 1970 and Minimum Wages Rate Commission.

Irrespective of the industry within which an organization operates, the concept of motivation cannot be looked down upon. In this regard, banking, being a service industry and, therefore, having direct contact with customers, the presence or absence of employees' motivation can generate immediate telling effect on the customers thus, either delighting the customer (or otherwise) which eventually results in customers' retention and profitability. This study was undertaken to investigate the impact of employees' motivation on organizational performance in the banking sector of Nigeria, using Zenith Bank plc as a case study.

Statement of the Problem

The relationship between employees' motivation and organizational performance has been the focus of intensive research efforts in recent times. The effectiveness of motivation in achieving the mission and vision of the organization are of paramount concern.

In the modern competitive world, business organizations are facing ever-growing challenges regarding commitment, engagement, belief, recruitment and retention of their employees. Multiple studies in different countries and across industries show that employees who are passionate about their jobs and the organizations in which they work are in the minority. The

number of employers experiencing retention difficulties has risen.

Motivated employees are more likely to stay and help build the business. Retaining motivated staff builds the business and also reduces the cost of recruitment and training. The loss of employees represents a loss of skills, knowledge and experiences which can create negative significant economic impact on corporations and depress the general performance of the organization.

The Nigerian Commercial Banks are facing the challenges of employee retention, high cost of recruitment, training, increased competition, employees' insincerity and fraud. Also, the banks' employees are faced with the problem of feeling de-motivated and overworked. The goal of financial motivation is to attract, retain and inspire employees towards a higher level of commitment and performance thereby leading to increased organizational performance. The questions are: how realistic would this be? Could financial incentive actually produce the stimuli, commitment and desired performance in Nigeria's banking sector?

All the issues above call for research efforts and this is the essence of this study. Thus this work is undertaken to investigate the impact of motivation on the performance of Nigeria's Banking sector.

Objectives of the Study

The main objective of the study was to investigate the impact of financial motivation on employees' performance in the banking industry in Nigeria. However, the specific objectives were to determine, econometrically, the impact of employees' wages/salaries (EWS) and retirement benefits (PRPB) on organization's profit (PAT).

2.0 Literature Review

According to Ahmed, Mohammed, Oyagi and Tirimba (2015), money is a very important tool of motivation. It directs human action because it can provide activity that is capable of meeting physiological needs. Thus, people tend to behave in a way that will help them satisfy their needs. Hence the theories of needs become the theoretical underpinning for this work.

The quality of money as a motivator has been traced to its incentive and informational values. Its incentive value evolved from its exchange function. Money serves effectively as means of exchange for most goods and services and privileges. People seek to put in extra effort to work for better pays. Moreover, money, in its incentive power, depresses anxiety, worries, and tension, while the absence of it creates agitation and threat. Thus, the fear of lack of money or losing one's job is a motivation for higher productivity in the workplace (Fajana, 2002). On the other hand, the informational strength of money provides a task related information about performance force and generate the basis for social comparison.

Maslow's Hierarchy of Needs Theory

Abraham Maslows' hierarchy of needs theory assumed that a hierarchy of five needs exists within every individual which must be hierarchically satisfied (Maslow, 1943). The five levels of needs, according to Maslow are: self actualization, esteem, love/belonging, safety and physiological.

Maslow's theory postulated that only a small percentage of the population reaches the level of self-actualization. The theory provides the theoretical basis for this research work since employees' physiological needs may be satisfied by the person's paycheck. Moreover, pay may also be used to satisfy other needs such as safety and esteem as well. Providing generous benefits that include health insurance and company-sponsored retirement plans, as well as offering a measure of job security, will help satisfy safety needs.

ERG Theory

ERG theory, developed by Clayton Alderfer, modified Maslow five needs into three groups of basic human needs - Existence, Relatedness, and Growth. Existential needs are our concern with basic materials such as hunger, thirst and safety. On the other hand, Relatedness relates to maintaining interpersonal relationships while Growth refers to the desire for personal development. It is, therefore, expected that managers should recognize the multiple needs that serve as driving forces for individuals at a given point and motivate them accordingly.

Review of Empirical Literatures

Money as an effective incentive motivator has been given attention over the years (Mitchell & Mickel, 1999). In the most general sense, money has been shown to attract, motivate, and retain employees as well as to serve as a reinforcer of

employees' performance (Stajkovic and Luthans, 2001), and when withheld, money can act as a punisher (Milkovich & New-man, 1996). The basis for the incentive value of money is its exchange function. It can be freely exchanged for other desirable outcomes such as goods, services, or privileges (Komaki, Coombs & Schepma: 1996). The more closely the financial incentives are tied to performance, the greater the improvement on a variety of out-comes. (Sturman and Trevor, 2001).

Gerhart and Milkovich (1992) explained the phenomenon above by suggesting that high-performer turnover is greater under the condition of low-reward contingency because the desire to change jobs should increase as reward inequity increases. Therefore, when a weak-pay-for-performance link exists, turnover of the best people may occur because they perceive that their high performance will not be sufficiently rewarded.

Octaviannand, Pandjaitan and Kuswanto (2017) investigated the effect of motivations on employees' performance at xyz shipping company in South Jakarta, Indonesia. The sample of study was limited to 70 people from marketing department, customer service, logistics, documentation, cashiers, financial and port agency services.

The data were collected through a questionnaire using Likert scale. The results of the study proved that there is positive and significant correlation between motivation and employees' performance. This means that the higher the motivation of employees, the greater the performance of employees and vice versa.
Zameer, Ali, Nisar and Amir (2014) explored the impact of motivation on employee's performance on beverage industry in Pakistan. The structured questionnaire was distributed on the sample of 150 workers in beverage industry (Pepsi, Coca, and Grommet). The result concluded that motivation has a significant positive influence on the performance of employees in Pakistan.

Anyim, Chidi and Badejo (2012) examined the relationship between motivation and job performance in private and public sectors in Nigeria. They concluded that good work performance depends largely on the contribution made by workers. Moreover, they argued that motivational factor brings out the best performance in employees in both private and public sectors. Research conducted by Nzewi, Chiekezie, Ekene, Raphael and Ebuka (2017) on employees in the beer industry revealed that there is a positive and significant relationship between job enrichment and organizational commitment. Specifically, it says that there is a significant positive relationship between work autonomy (freedom in organizing work) and affective commitment of employees within the company. The results indicated that when employees' jobs are enriched, their level of commitment will increase positively and will ultimately increase their productivity levels within the organization.

Iman (2018) employed Partial Least Square (PLS) technique, using Smart PLS Version 3.0 program. He investigated the effect of job enrichment and employee's empowerment on employees' commitment and productivity. His findings revealed positive and significant relationship between the dependent and independent variables.

Moreover, Muogbo (2013) concluded that extrinsic motivation given to workers in an organisation has a significant influence on organisational performance and insisted this is in line with the equity theory and fairness in employees' remuneration which tends to produce higher performance from workers.

Babagana and Dungus (2015) examined the effects of staff remuneration on the performance of Ramat Polytechnic Maiduguri students from 1995-2011 in Borno State Nigeria, Questionnaire was served to 45 respondents who were academic staff of the Polytechnic from the five schools within the Polytechnic (school of environmental studies, school of engineering and applied science, school of agricultural science and technology, school of management studies, and school of vocational and technical education). The data were analyzed using Pearson's Product Moment correlation and regression analysis using Microsoft excel. The findings showed strong positive relationship between staff remuneration (fringe benefits and staff nature of working conditions) and performance of Ramat Polytechnic Maiduguri students.

Edirisooriya (2014) examined the impact of extrinsic rewards and intrinsic rewards on employees' performance: With Special

Reference to ElectriCo Sri Lanka. Self designed questionnaire was used as the primary data collection method. The data were analyzed using descriptive statistics and inferential statistics. A representative sample of 100 employees was selected from a population of 1075 employees in the ElectriCo. The results revealed that there is a positive relationship among extrinsic reward, intrinsic reward and employees' performance.

Hameed, Ramzan, Zubair, Ali and Arslan (2014) examined the impact of compensation on employees' performance (empirical evidence from banking sector of Pakistan). A questionnaire was designed to solicit response from the respondents on factors related to compensation like indirect compensation, wages, salaries and employees performance.

Approximately 45 banks were included in data collection. 200 questionnaires were distributed among the full time working employees of the banks and they were selected randomly. Correlation analysis and Regression analysis were employed, using SPSS 17.0 version to analyze the collected data. The findings suggested that compensation has positive impact on employees' performance. It was proved from correlation analysis that all the independent variables have weak positive relationship to each other. Regression analysis showed that all the independent variables have insignificant positive impact on employees' performance.

Sajuyigbe, Olaoye and Adeyemi (2013) examined the impact of reward on employees' performance in selected manufacturing companies in Ibadan, Oyo State, Nigeria. A structured questionnaire was used to collect data from one hundred (100) participants through purposive sampling method and data were analyzed by multiple regression analysis with the aid of statistical package for social science (SPSS) version 16. Result showed that reward dimensions jointly predict employees' performance which accounted for 71% variance of performance.

3.0 Model Specification

This study employed econometrics method within the context of ordinary least square and unit root test to achieve specific objective of this research work; that is, to investigate the impact of wages/salaries, directors' emoluments and provisions for pension/retirement benefits on organization's productivity. The framework adopted for the research work was proposed in Loening (2002), which took its roots from augmented Solow theory and extension of Mankiw, Romer, and Weil (1992) with modifications.

There was absence of human resources in the earlier neo – classical model as major input for production but, in Solow's (1956) model it was incorporated as one of the explanatory variables that determine productivity which was attributed to three sources namely: increase in the stock of physical capital, increases in the size of labour force, and a residual representing all other factors. Solow used the aggregate production function which is continuous and homogeneous of degree one. $Y = f(L, K, T)$ …… (1)
Where Y is aggregate real output, K is the stock of capital, L is labour and T is Technical change. Technical change is constant. Equation 1 can now become:
$Y = Af(K, L)$ …….. (2)
Expressing Equation (2) in growth terms:

$$\frac{dY}{Y} = [A\frac{dY}{dk}]\frac{dK}{Y} + [A\frac{dY}{dN}]\frac{dN}{Y} + \frac{dA}{A} \quad \text{..... (3)}$$

For estimation purpose, equation 3 can take this form:

$$\frac{\Delta Y}{Y} = \alpha_0 + \alpha_1\frac{I}{Y} + \alpha_2\frac{\Delta N}{Y} \quad \text{..... (4)}$$

$$\alpha_0 = \frac{dA}{A}\quad \alpha_1 = A\frac{dY}{dk}\quad \alpha_2 = A\frac{dY}{dN}$$

I = dK = change in capital (investment)

$\frac{I}{Y}$ = ratio of investment to income $\frac{\Delta N}{Y}$ = ratio of change in population to income

The constant term (α_0) is assumed to capture the growth in productivity, α_1 is the marginal productivity of capital, and α_2 is the elasticity of output with respect to population. Therefore, with this background, the model can be formed as:

$$G_y = \alpha_0 + \alpha_1 G_k + \alpha_2 G_L + \mu \quad \text{..... (5)}$$

Where:
G_y= Growth rate of real GDP
Gk = Growth rate of capital
GL = Growth rate of labor
μ = disturbance term

$$PAT = \Omega_0 + \Omega_1 EWS + \Omega_2 PRPB + \mu \quad \text{..... (7)}$$

A priori expectations for each parameter are positive. i.e. Ω_1, Ω_2, and > 0

4.0 Presentation and Analysis of Econometric Results

Unit Roots Test

In order to know whether the stochastic process of the variables of the model is stationary, that is, whether their means and their variances are constant over time, this study employed the Augmented Dickey–Fuller (ADF) tests. The null hypothesis investigated if the variable under investigation has a unit root against the alternative that it does not (that is, it is stationary).

Specifically, the ADF, lag-length was chosen using the Akaike Information Criteria (AIC) after testing for first and higher order serial correlation in the residuals. Table 4.1 shows the result of unit root test in the level variables as well as their first difference. It also shows the estimated t-statistics cum probability value at 5% significant level.

The unit root test for the variables LPAT and LPRPB shows they are stationary at levels[i.e. I(0)]. Their null hypotheses that each variable has a unit root are rejected since their respective ADF test statistic or the 't'- calculated of -6.463168 and -3585082 are greater than their tabulated 't' values of -3.69081 and -3.065585 in absolute term at 5%. Hence, they are integrated of order zero.

On the account of variable LEWS, the condition of stationarity was not satisfied until after the first differencing [i.e I(1)] when it has its ADF test statistic of -2.134702 greater than its tabulated 't' of -1.968430 in absolute term at 5%. Therefore, it can be concluded that variable LEWS is integrated of order one. At this stage, we can apply the OLS method without being worried about misleading inferences in the presence of spurious correlation (Granger and Newbold, 1974).

Table 4.1: Unit Root Test: Augmented Dickey Fuller Test

Variables	ADF Test Statistic	5% Critical Value	10% Critical Value	Order	Remark
LEWS	-2.134702	-1.968430	-1.604392	I(1)	Stationary
LPAT	-6.463168	-3.690814	-3.286909	I(0)	Stationary
LPRPB	-3.585082	-3.065585	-2.673459	I(0)	Stationary

Source: Researcher's computation (2023) using E-view econometric software

Presentation And Analysis of The OLS Regression Estimate

The data presented below shall be applied in demonstrating the techniques of analysis based on multiple regressions. Data for the econometric analysis of this research work were sourced secondarily from Zenith Bank Plc annual book from 2001 to 2019.

Table 4.2: The OLS Regression Estimates

Variables	Co-efficient	Std. errors	T-statistics	Prob	F-stat	Prob(Fstat)	R^2	R^{-2}	DW
C	5.237198*	0.983117	5.327137	0.0001					
LEWS	0.489241**	0.220170	2.222108	0.0421					
LPRPB	0.418534**	0.160856	2.601909	0.0200	89.29650 ,	prob(0.00)*	0.922518	0.912187	1.891543

Source: Computed by the researcher using E – view econometric software (2023)

Note:
'*' implies 1% significance level
'**' implies 5% significance level

It is theoretically expected that employees' wages and salaries should bear a positive relationship on organization's performance. The ordinary least square results from Table 4.2 above confirm that. The result showed that 1% increase in employees' wages and salaries (LEWS) will improve Zenith Bank Plc profit after tax by about 49% (i.e 0.489241). This result is

consistent with the works of Sajuyigbe, Olaoye and Adeyemi (2013), Edirisooriya (2014), Babagana and Dungus (2015) and Zahra, Xia, Khuram, Liu and Amna(2015)). In the same vein, the variable for retirement benefit/pension (LPRPB) appeared to be positively significant in its impact on organization's performance. This result signed in with the theory. It is 'a priori' expected that pension/retirement plan in an organization should bolster the commitment and performance of the employees thereby improving the organization's performance. The reasons for this are not too difficult to explain. Firstly, retirement plan gives the employees sense of job security even after the retirement. This is in tandem with safety and security need of Abraham Maslow's hierarchy of needs theory.

Moreover, retirement plan implies that organizations are offering employees the opportunity to work for longer time in the organization which can also help keep skills in the business and enable the employee to make a gradual transition between fulltime work and retirement. This helps employers retain productive and experienced people, reduce employee turnover, lower recruitment and training costs, and have a positive effect on productivity through improved employee performance. The OLS results from Table 4.2 show that 1% increase in PRPB will stimulate about 42% (i.e. 0.418534) growth in the Zenith Bank profit.

The equation was a good fit as R^2 of 0.922518 explains that the independent variables of the model account for 92% explanatory power in total variation in the PAT. Likewise, the R^{-2} of 0.912187 reaffirms this position because its value of 0.912187 does not differ much from the R^2. Furthermore, the value of Durbin Watson statistic calculated from the regression residuals of the model stands at 1.891543. This indicates that the regression does not suffer from the problem of serial autocorrelation.

5.0 Conclusion and Recommendations

Conclusion

This research examined the impact of financial motivation on employees' performance in the banking industry in Nigeria, using Zenith bank plc as a study case. The findings from OLS regression analysis of the time series data indicate that employees' compensation package (Employees' Wages and Salaries: EWS and Payments Retirement/Pension Benefits: PRPB) is a strong determinant of organization's performance (profit after tax: PAT) in banking industry.

The result above inspires the conclusion that the nexus between financial motivation and organization performance is positive and direct, and that anytime employees are driven to produce an exertion, typical standard performance is imminent. Thus, financial motivation impacts performance intensively.

5.3 Recommendations

Since financial motivation has positive and significant impact on organisational performance, managers should concentrate on evolving an effective benefit program for the workforce. This will help improve employees' retention, reduce high cost of recruitment, training and combat employees' insincerity and fraud.

Moreover, there should be regular review of the program to determine whether it is achieving its intended objective or not. Therefore, if managers, not only in the banking industry but, also in other sectors can find out more effective use of motivational tools, it will certainly help improve productivity in the banking sector and improve the national economic performance.

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